

Just prior to the Cabo March 2006 closing, Hawai'i closing attorney Madia updated the group after the second 2006 Jowdy-Lehman Brothers delay...

M. Robert Madia

From: pk <pkennen@imvelocita.com>
Date: February 24, 2006 at 9:40:21 AM EDT
To: Attorney Madia RMM@MadiaLaw.com
Cc: Phil Kenner <phil@standardadvisors.com>
Subject: Mexico closing and Hawaii project update #5
Attachments: FW: fax_8002173433.tif; FW: fax_8001775632.tif

Rob... thanks for the update to the guys. Good stuff. I am sure Ken and Bill were upfront with us about the "slush fund" repayments plan from Masood after the closing to repay the Hawaii loans and the other money he owes me, Muzz, Bobby, Matti, Stumpy, etc. thx.pk

From: R. M. Madia RMM@MadiaLaw.com
Date: February 24, 2006 at 6:21:43 AM EDT
To: Phil Kenner <phil@standardadvisors.com>; pk pkennen@imvelocita.com; Brad Isbister; Brad Lukowich; Brian Berard; Brian Campbell; Chris Simon; Dan Boyle; Darryl Sydor; Dimitri Khrstitch; Ethan Moreau; Glen Murray; Greg deVries; Jason Woolley; Jay McKee; Jere Lehtinen; Jerry Glatt; Joe Juneau; Jozef Stumpel; Kristine Myrick; Mattias Nordstrom; Michael Peca; Owen Nolan; Sergei Gonchar; Steve Rucchin; Travis Green; Turner Stevenson; Tyson Nash; Vladimir Tsypakov; Chris Manfredi; John Kaiser; John Kaiser; Chris Hawkins
Cc: Phil Kenner phil@standardadvisors.com; pk pkennen@imvelocita.com; RMM@MadiaLaw.com
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For those of you who are not aware Ken Jowdy and Bill Najam have informed us that the Lehman Brothers closing in Cabo will be delayed another 30 days. They have legal issues to handle in Mexico prior to their final signoff and funding. We have been reassured that they are delays not complications.

We have been informed that part of the closing process at Lehman Brothers rejected the original proposal to repay the Hawaii loans at the closing by collateralizing Ken's 20% equity he received for managing the Cabo project. We were also informed that Kenner would not be accepted as a joint manager with Ken. Ken will be the sole manager. We have received full reassurances that the management will still receive our input. It is complicated but had something to do with the 2005 deal Phil and the Hawaii management team rejected in concert with my advice.

Based on the meetings John Kaiser had with Ken before we agreed to lend him the money in 2004 Phil has asked me again to attach for your records a copy of the lending agreement. Please contact me with any questions but you should already have your copy from previous communications.

The questions during our last conference call by Owen Nolan, Mike Peca and Bryan Berard were important to all of you. If you are still confused about the individual equity you invested in the Cabo project versus the Hawaii equity and loans, please reply to me. It thought Phil clarified this but I want all of you to be clear. Most of you are involved in both deals. You should have the operating agreements I previously forwarded to you after every member signed them. If not please contact me about what you cannot find in your personal records and I will forward them to you or your advisers.

Based on the delay I have also resent the updated loan calculation from the Hawaii loan to Jowdy for your records. It has been given to Masood at Lehman Brothers so he is aware of the amount that is continuing to accrue to Jowdy. As a result of the phone call with Ken and Bill about the delayed

closing they confirmed the 15% was still accruing in spite of the delay. They were confident that the initial real estate sales in Cabo in the first year would produce the funds needed to fully repay the loans plus additional interest. I find comfort in their representations. The 15% is not a normal loan interest. The extra accrued interest for the Hawaii project will assist in defraying the development expenses Chris Manfredi, Chris Hawkins and John Kaiser have explained to you on previous conference calls. Once we receive the development authorizations from Ka'u District in Hawaii we will have more funds available to begin the next phase. You should recall that the Centrum loan from 2005 could also be extended upon request and verification when construction and development funds are required. Lehman Brothers has suggested that once they complete the Cabo funding they want to sit down with Phil again and try to and finance the entire project. They have proposed a macro lending deal not just the \$5,000,000 acquisition loan that caused the 2005 issue and termination prior to the Tommy Constantine loan that saved the oceanfront parcel in the eighth extension week which Phil negotiated with Hawaii Senator Chumbley. We will determine Lehman Brothers future involvement in time since Tommy has another developer that he and Phil have been dealing with. They have already made their initial trip plans to Hawaii with land manager Chris Hawkins and that joint venture seems to have real promise. They currently have successful developments in Canada and the USA. Some of you may also be invested with them. They have a number of NHL players as investment partners.

For those of you who are Mexico investors if there are questions you want to discuss with Ken or Bill directly I am sure they would welcome your calls about the delay issues.

While we are completing the Cabo funding I believe that Chris and John are working in Hawaii on permits to begin construction on the Discovery Harbor lots that the company bought in early 2005. As you recall these are the small lots that can be used to test the material import timing and problems from the mainland during smaller scale construction.

Our Carlsmith Ball LLP attorney Steve Lim and his staff have completed additional registration work for the 501(c)(3) property we split off from the 1500 acre Hono'apo property based on the remediation issues that came with the 10 acre lot adjacent to Mamalahoa Highway. If you are unaware or have forgotten the strategy with the Ka'u District to build a local museum on the parcel and "give back" to the community please contact Chris Manfredi or Phil who have been managing that strategy with the local attorneys.

Sincerely, Rob

From: pk <pkennner@imvelocita.com>
Date: February 23, 2006 at 6:31:29 PM EDT
To: Attorney Madia RMM@MediaLaw.com
Cc: Phil Kenner <phil@standardadvisors.com>
Subject: Mexico closing and Hawaii project update #5

Rob... please update the guys with the new Cabo closing info and Hawaii updates based on the call with bill and ken and loan repayment delay. Get them the loan information again.
Thx.pk